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Preparatory Committee for the International Conference on Financing for Development
Third session
2-8 May 2001 and one full week in October/November 2001
Item 2 of the provisional agenda*
Review of the inputs to the substantive preparatory process and the International Conference on Financing for Development

Compilation of initiatives or themes submitted by Governments

Note by the Secretary-General

Addendum

In its resolution 55/245, the General Assembly invited Governments to submit to the financing for development coordinating secretariat, not later than 15 April 2001, a concise identification of possible initiatives or themes, which could serve as a means to further focus the substantive preparatory work, within the framework of its substantive agenda, on the understanding that a compilation of such submissions should be made available to the Preparatory Committee for the International Conference on Financing for Development at its third session. The submission from the delegation of Canada, which was received on 25 April 2001, is set out below.

* A/AC.257/21.

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16. Canada

25 April 2001

The Canadian Government attaches importance to the International Conference on Financing for Development. It provides an opportunity for the international community to address comprehensively and coherently the complex issues related to the generation of resources that can fund sustainable social and economic development and reduce poverty.

Not surprisingly, many of the issues that have been raised in the report of the Secretary-General and in interventions at meetings of the Committee and meetings with NGOs and business representatives are already an important focus of intergovernmental attention in other multilateral forums. The Conference should be used to add value to and not to duplicate discussions in other forums.

The Government of Canada is of the view that there are many issues to which the Conference can add significant value. In particular, it can be a process that stimulates close cooperation among the many multilateral bodies that have responsibilities for different aspects of the relevant issues. Preparations for the Conference have, to date, involved close cooperation between the World Bank, IMF, WTO and United Nations organizations. This should be regarded as the initiation of a dialogue that should continue through and beyond the Conference in the first quarter of 2002. Furthermore, this dialogue should be broadened to include more active participation by the regional development banks. The dialogue with NGOs and the business sector should also be extended and intensified.

The selection of issues for particular attention should take into account the unique contribution that the Conference can make to increasing coherence among multilateral organizations. Some of the issues that should receive continuing attention are defined below.

I. Domestic financial resources for development

Financial sector reform and domestic resource mobilization

It was widely recognized at the February 2001 Committee session that an efficient and stable domestic financial sector is critical to development and poverty reduction. The Conference should provide a forum for a discussion of experience with financial sector reform, including institutional strengthening through standards and supervision, and its impact on domestic resource mobilization. Focus could be on the role of multilateral lending institutions in supporting reform and on coordination of their efforts, including those for capacity-building.

II. International resources for development

Attractiveness to foreign investors

A sound domestic enabling environment (policies, institutions, good governance) is of fundamental importance in attracting FDI. The Conference should provide for a forum for discussion of how to improve national policy and regulatory environments to make them more attractive to foreign investors. The developing countries that have benefited from substantial levels of FDI should share their experience with others. Measures and policies to attract FDI could be discussed, along with approaches for maximizing benefits to national economies and to wage-earners, especially the poor. These discussions would benefit from the presence of representatives of the private sector.

III. Trade

Trade-related capacity-building

This encompasses a variety of types of support (including the enhancement of trade negotiating capacity, trade research capacity, and increasing the physical infrastructure that is necessary for trade) that can enhance the ability of developing countries to benefit from opportunities in trade and global integration, thus facilitating the generation of resources to finance development. While the importance of trade-

related capacity-building is widely recognized, there is a lack of institutional coherence and coordination. These issues would benefit from a broad-based discussion. Participants could explore the benefits of regional trade "networks" for sharing trade-related ideas, knowledge and concerns.

IV. International financial cooperation, including ODA

1. Harmonization of donor procedures, lowering transactions costs of ODA and country ownership

Aid recipients cite differences in donor operational policies and procedures as the single most important impediment to the effectiveness of external development assistance. Studies show that inefficient donor policies and procedures penalize both donors and recipients, not only in terms of wasting scarce funds but also in terms of the cost of lost time, energy and opportunity. Thus, it is incumbent upon multilateral and bilateral aid agencies to move forward more forcefully on issues related to harmonization and lowering the transaction costs of ODA.

To date, we have had only relatively slow progress in harmonization of donor practices and in coordination of their operations. Discussion of these issues has not taken place in a broad-based forum that includes developing countries; yet their participation from the perspective of country-led development and ownership is critical. Without this participation, efforts in harmonization are not likely to be sustainable over time, as evolving donor institutional mandates and idiosyncrasies will reassert themselves. This is an area where achievable targets, initiatives and broad-based collaboration among development partners are effectively within reach. These issues would benefit from a broad-based deliberation at the Conference, particularly if preceded by substantive dialogue during the preparatory process.

Addressing this issue at the Conference would tie in with IFI work already under way on the issue and would also help us to move forward on coherence among international organizations.

2. Global public goods

The definition of global public goods (GPGs) is being broadened progressively to encompass not only goods and services that have cross-border implications but also systems and structures that affect the welfare of many countries, including trading rules and the international financial architecture. The discussion could focus on the pros and cons of such a broad definition, the identification of the most important elements, a stock-taking of existing funding mechanisms and potential funding requirements, and potential ways of moving forward.

GPGs are uniquely global in nature, going beyond the borders of countries and falling outside the control of any one country. As such, they need a global response and should be discussed in a broad-based forum, such as the one uniquely provided by the Conference.

The focus could be on the need for greater coordination and collaboration among varying institutions and national Governments in providing GPGs. There are certainly financing issues, but the Conference could focus its discussion on the innovative nature of UNAIDS, for example, or on the coordination of multilateral donor organizations with bilateral donor activities.

We believe that the Conference provides a timely opportunity for the international community to consider the special challenges associated with financing GPGs, which — virtually by definition — have been underfinanced. It is clear that the pursuit of the additionality of resources for GPGs, as advocated by developing countries, provides a strong incentive for all development partners to seek new partnerships, modalities and sources of finance.

V. Debt

Implementation of the enhanced HIPC initiative

The discussion could focus on the need to fulfil existing bilateral commitments to the HIPC trust fund, the possibilities for extending the initiative to post-conflict poor countries, the potential for bilateral South-South debt relief, and the prospects for bilateral debt moratoriums, following on the Canadian debt initiative. It could address the need to strengthen debt management systems to avoid future debt problems and the benefits of capacity-building in this area. It could also provide a forum for extending discussions on funding for unproductive expenditures.

VI. Systemic issues

Global economic governance

Discussions could focus on the topic of improving the structures of global economic governance. One dimension of this issue is to ensure that governance arrangements provide adequate means of ensuring that developing countries have the opportunity to participate in and benefit from the global economy and avoid the devastating effects of financial crises. But, more generally, it also reflects a concern that existing arrangements for global governance need to keep pace with the full range of challenges associated with globalization.